

# YANCEY COUNTY, NORTH CAROLINA

## Financial Statements For the Fiscal Year Ending June 30, 2018



# YANCEY COUNTY, NORTH CAROLINA

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## **FINANCIAL SECTION**

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This section presents the basic financial statements and Required Supplementary Information (including Management's Discussion and Analysis), as well as the independent auditors' report. In addition, the financial section contains combining statements for non-major fund types, individual fund schedules and other supplemental information.

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## *Independent Auditors' Report*

Board of Commissioners  
Yancey County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 51, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County's Contributions on pages 52-53, and the Other Post-employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Yancey County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of Yancey County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yancey County's internal control over financial reporting and compliance.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 10, 2018

## YANCEY COUNTY, NORTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Yancey County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Yancey County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

#### *Financial Highlights*

##### Government-wide level:

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,852,423. Governmental activities accounted for \$10,049,952 and business-type activities accounted for \$6,802,471.
- The County's total net position decreased by \$1,951,298. Governmental activities had a decrease of \$2,053,298 due to ongoing construction of Blue Ridge Elementary School and business-type activities accounted for an increase of \$102,000. The increase in business-type activities is primarily due to continued construction of the East Yancey Water and Sewer Project.
- Capital assets of the County decreased overall by \$248,430 after depreciation. This net decrease was mostly due to current depreciation expense outpacing current year acquisitions.
- The County's total debt increased by \$11,200,882. New installment obligations were issued to fund the construction of Blue Ridge Elementary Schools.

##### Fund level:

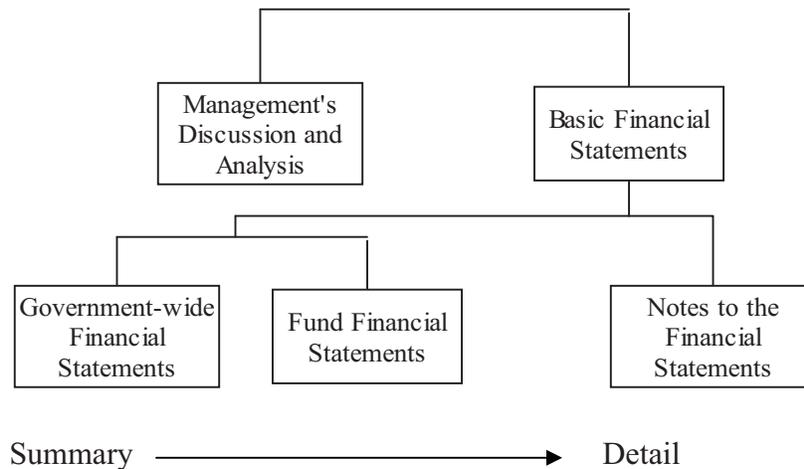
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15,832,715, an increase of \$9,836,230. The majority of this increase (\$8,785,222) represents remaining installment obligation proceeds remaining at year-end in the School Capital Project Fund for purposes of financing the construction of Blue Ridge Elementary School.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$4,689,542, or 22.23 percent of total General Fund expenditures (and transfers out) for the fiscal year.

#### *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to Yancey County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Yancey County.

**Required Components of Annual Financial Report**

Figure 1



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County’s financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County’s government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the required supplemental information, which contains information about the County’s participation in pension plans and its retiree health insurance obligations. After the required supplemental information, supplemental information is provided to show details about the County’s nonmajor governmental funds and internal service fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide the reader with a broad overview of the County’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County’s financial status as a whole.

The two government-wide statements report the County’s net position and how it has changed. Net position is the difference between the County’s total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. Measuring net position is one way to gauge the County’s financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County’s basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### ***Fund Financial Statements***

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Yancey County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Yancey County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Yancey County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** - Yancey County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Yancey County uses an enterprise fund, as required by State statute, to account for the construction of the East Yancey Water and Sewer Project. This fund is the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. Yancey County has four agency funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Yancey County's progress in funding its obligation to provide pension benefits to its employees well as commitments to provide certain other post-employment benefits. Required supplementary information can be found beginning on page 51 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Yancey County exceeded its liabilities and deferred inflows of resources by \$16,852,423 as of June 30, 2018. The County's net position decreased by \$1,951,298 for the fiscal year ended June 30, 2018. The largest portion of net position, \$18,485,110, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Yancey County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Yancey County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Yancey County's net position of \$11,288,517 represents resources that are subject to external restrictions on how they may be used. This leaves a deficit of \$12,921,204 in unrestricted net position. This deficit is primarily due to installment obligations issued to construct Blue Ridge Elementary School. The County has incurred debt to build the school, but will not have a corresponding asset since the school ultimately will belong to the Yancey County Board of Education. The following is a summary of the government-wide Statements of Net Position:

**Yancey County's Net Position**  
Figure 2

	2018			2017 (As restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 18,127,733	\$ 233,420	\$ 18,361,153	\$ 7,255,477	\$ 232,977	\$ 7,488,454
Capital assets	14,043,957	6,569,051	20,613,008	14,393,944	6,467,494	20,861,438
Total assets	<u>32,171,690</u>	<u>6,802,471</u>	<u>38,974,161</u>	<u>21,649,421</u>	<u>6,700,471</u>	<u>28,349,892</u>
Deferred outflows of resources	<u>1,158,201</u>	<u>-</u>	<u>1,158,201</u>	<u>1,716,588</u>	<u>-</u>	<u>1,716,588</u>
Liabilities:						
Long-term liabilities	20,767,031	-	20,767,031	10,304,949	-	10,304,949
Other liabilities	1,964,806	-	1,964,806	753,242	-	753,242
Total liabilities	<u>22,731,837</u>	<u>-</u>	<u>22,731,837</u>	<u>11,058,191</u>	<u>-</u>	<u>11,058,191</u>
Deferred inflows of resources	<u>548,102</u>	<u>-</u>	<u>548,102</u>	<u>204,568</u>	<u>-</u>	<u>204,568</u>
Net position:						
Net investment in capital assets	11,916,059	6,569,051	18,485,110	9,460,205	6,467,494	15,927,699
Restricted	11,288,517	-	11,288,517	2,522,691	-	2,522,691
Unrestricted	<u>(13,154,624)</u>	<u>233,420</u>	<u>(12,921,204)</u>	<u>120,354</u>	<u>232,977</u>	<u>353,331</u>
Total net position	<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>	<u>\$ 12,103,250</u>	<u>\$ 6,700,471</u>	<u>\$ 18,803,721</u>

Overall, total net position increased \$1,951,298, due primarily to the ongoing construction of Blue Ridge Elementary School as previously discussed. The following is a summary of the government-wide statement of activities:

### Yancey County Changes in Net Position

Figure 3

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,238,564	\$ -	\$ 1,238,564	\$ 1,259,867	\$ -	\$ 1,259,867
Operating grants and contributions	3,583,685	-	3,583,685	3,402,814	-	3,402,814
Capital grants and contributions	1,113,469	-	1,113,469	261,185	620,852	882,037
General revenues:						
Property taxes	14,907,750	-	14,907,750	14,846,265	-	14,846,265
Other taxes	3,886,402	-	3,886,402	3,723,805	-	3,723,805
Other	21,612	-	21,612	61,022	-	61,022
Total revenues	<u>24,751,482</u>	<u>-</u>	<u>24,751,482</u>	<u>23,554,958</u>	<u>620,852</u>	<u>24,175,810</u>
Expenses:						
General government	3,415,915	-	3,415,915	3,210,412	-	3,210,412
Public safety	6,557,574	-	6,557,574	6,053,176	-	6,053,176
Environmental protection	1,726,000	-	1,726,000	1,679,220	-	1,679,220
Economic and physical development	649,687	-	649,687	515,221	-	515,221
Human services	5,311,336	-	5,311,336	5,139,796	-	5,139,796
Culture and recreation	895,879	-	895,879	873,734	-	873,734
Education	7,769,387	-	7,769,387	3,636,374	-	3,636,374
Interest expense	377,002	-	377,002	152,320	-	152,320
Total expenses	<u>26,702,780</u>	<u>-</u>	<u>26,702,780</u>	<u>21,260,253</u>	<u>-</u>	<u>21,260,253</u>
Change in net position before transfers	(1,951,298)	-	(1,951,298)	2,294,705	620,852	2,915,557
Transfers	<u>(102,000)</u>	<u>102,000</u>	<u>-</u>	<u>(87,782)</u>	<u>87,782</u>	<u>-</u>
Change in net position	(2,053,298)	102,000	(1,951,298)	2,206,923	708,634	2,915,557
Net position, July 1	12,103,250	6,700,471	18,803,721	12,429,050	5,991,837	18,420,887
Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,532,723)</u>	<u>-</u>	<u>(2,532,723)</u>
Net position, June 30	<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>	<u>\$ 12,103,250</u>	<u>\$ 6,700,471</u>	<u>\$ 18,803,721</u>

**Governmental Activities** - Governmental activities decreased the County's net position by \$2,053,298. This increase is primarily due to ongoing school construction as has already been discussed. The County also continued its effort to control expenses in FY18.

**Business-type Activities** - Net position increased due to the ongoing construction of water lines and related assets, which are primarily grant funded.

### *Financial Analysis of the County's Funds*

As noted earlier, Yancey County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of Yancey County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Yancey County's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Yancey County. At the end of the current fiscal year, the General Fund had a fund balance of \$6,239,553, which is an increase of \$1,156,484 from the prior year. The increase is due to an increase in sales tax revenues and administrative reimbursements as well as careful management of the budget. In addition, the County had to appropriate fund balance of \$40,000 in the Revaluation Fund (a sub fund of the General Fund) to revalue county property values. The portion of fund balance that is available for appropriation at the end of the current year is \$4,689,542, an increase of 1,431,229 from 2017. This increase is primarily due to current year increases in overall fund balance.

**General Fund Budgetary Highlights** - During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$215,736, or 1 percent of the original budget. The increase in the final budgeted revenues is primarily due to unanticipated grant revenues.

### *Capital Asset and Debt Administration*

**Capital Assets** - The County's investment in capital assets net of depreciation decreased \$248,430 from 2017. This decrease is primarily due to current year depreciation outpacing current year acquisitions. Capital assets for governmental activities decreased by \$349,987, which relates primarily to asset purchases of approximately \$430,000 netted against depreciation expense of approximately \$780,000. Key asset additions include upgrades to the County's E-911 software and several vehicles.

**Yancey County's Capital Assets**  
(Net of Depreciation)  
Figure 4

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and easements	\$ 2,918,839	\$ -	\$ 2,918,839	\$ 2,918,839	\$ -	\$ 2,918,839
Construction in progress	16,699	6,569,051	6,585,750	84,184	6,467,494	6,551,678
Buildings and improvements	9,894,278	-	9,894,278	10,270,299	-	10,270,299
Machinery and equipment	449,493	-	449,493	519,639	-	519,639
Vehicles and motorized equipment	556,143	-	556,143	591,061	-	591,061
Software	208,505	-	208,505	9,922	-	9,922
	<u>\$ 14,043,957</u>	<u>\$ 6,569,051</u>	<u>\$ 20,613,008</u>	<u>\$ 14,393,944</u>	<u>\$ 6,467,494</u>	<u>\$ 20,861,438</u>

Additional information regarding Yancey County's capital assets can be found in Note 2(A)(4) to the financial statements.

**Long-Term Debt** - As of June 30, 2018, Yancey County had total debt (excluding compensated absences, the net pension obligation, and other post-employment benefits) outstanding of \$13,601,898. The year-over-year increase is due to the issuance of \$11,474,000 in installment obligations to construct Blue Ridge Elementary School. All other obligations are used to finance assets for which the County holds title.

**Yancey County's Outstanding Debt**  
Figure 5

	Governmental Activities	
	2018	2017
Installment financing obligations	\$ 13,527,998	\$ 2,322,666
Capital leases	<u>73,900</u>	<u>78,350</u>
	<u>\$ 13,601,898</u>	<u>\$ 2,401,016</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Yancey County is approximately \$168 million.

Additional information regarding Yancey County's long-term debt can be found in Note 2(B)(7) to the financial statements.

**Budget Highlights for the Fiscal Year Ending June 30, 2019**

Property and other taxes are expected to account for the majority of the 2018-2019 budget. The 2018-2019 budget has set aside \$100,000 to continue contributing to rebuild the County's fund balance. The Blue Ridge Elementary School construction is underway and the first debt service payment will be made during this fiscal year. All Yancey County employees received a 2.1% cost of living salary increase and the County has begun conducting a pay plan study to compare our salaries with other counties our size.

**Economic Factors**

Economic conditions are slowly continuing to improve in Yancey County. There have been three building reuse grants received from the NC Department of Commerce to help renovate space for businesses to occupy. The County's sewer system is beginning to operate and should provide more economic incentives for the east end of Yancey County. The unemployment rate is currently at 3.5% and is below the state rate at 4.2%.

**Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Yancey County, 110 Town Square, Room 11, Burnsville, NC 28714.

## YANCEY COUNTY, NORTH CAROLINA

## Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,456,113	\$ 163,279	\$ 5,619,392
Restricted cash	10,511,372	-	10,511,372
Receivables, net	495,663	70,141	565,804
Due from other governments	1,664,585	-	1,664,585
Capital assets:			
Land and construction in progress	2,935,538	6,569,051	9,504,589
Other capital assets, net of depreciation	11,108,419	-	11,108,419
Capital assets, net	<u>14,043,957</u>	<u>6,569,051</u>	<u>20,613,008</u>
Total assets	<u>32,171,690</u>	<u>6,802,471</u>	<u>38,974,161</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,158,201</u>	<u>-</u>	<u>1,158,201</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	592,851	-	592,851
Accounts payable from restricted assets	1,063,892	-	1,063,892
Accrued interest payable	308,063	-	308,063
Long-term liabilities:			
Net pension liability - LGERS	1,314,300	-	1,314,300
Total pension liability - LEOSSA	583,774	-	583,774
Total OPEB liability	3,833,334	-	3,833,334
Due within one year	1,269,562	-	1,269,562
Due in more than one year	<u>13,766,061</u>	<u>-</u>	<u>13,766,061</u>
Total liabilities	<u>22,731,837</u>	<u>-</u>	<u>22,731,837</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>548,102</u>	<u>-</u>	<u>548,102</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,916,059	6,569,051	18,485,110
Restricted for:			
Stabilization by State statute	1,663,983	-	1,663,983
Public safety	158,212	-	158,212
Education	9,367,480	-	9,367,480
Register of deeds	98,842	-	98,842
Unrestricted (deficit)	<u>(13,154,624)</u>	<u>233,420</u>	<u>(12,921,204)</u>
Total net position	<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Activities*  
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 3,415,915	\$ 387,506	\$ 23,234	\$ -	\$ (3,005,175)	\$ -	\$ (3,005,175)
Public safety	6,557,574	171,825	236,887	-	(6,148,862)	-	(6,148,862)
Environmental protection	1,726,000	368,237	419,966	-	(937,797)	-	(937,797)
Economic and physical development	649,687	47,598	-	-	(602,089)	-	(602,089)
Human services	5,311,336	-	2,903,598	61,879	(2,345,859)	-	(2,345,859)
Cultural and recreational	895,879	263,398	-	-	(632,481)	-	(632,481)
Education	7,769,387	-	-	1,051,590	(6,717,797)	-	(6,717,797)
Interest on long-term debt	377,002	-	-	-	(377,002)	-	(377,002)
Total governmental activities	<u>26,702,780</u>	<u>1,238,564</u>	<u>3,583,685</u>	<u>1,113,469</u>	<u>(20,767,062)</u>	<u>-</u>	<u>(20,767,062)</u>
<b>Business-type activities:</b>							
East Yancey Water and Sewer	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government-wide	<u>\$ 26,702,780</u>	<u>\$ 1,238,564</u>	<u>\$ 3,583,685</u>	<u>\$ 1,113,469</u>	<u>(20,767,062)</u>	<u>-</u>	<u>(20,767,062)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					14,907,750	-	14,907,750
Local option sales tax					3,755,013	-	3,755,013
Other taxes					131,389	-	131,389
Investment earnings, unrestricted					13,220	-	13,220
Miscellaneous, unrestricted					8,392	-	8,392
Total general revenues					<u>18,815,764</u>	<u>-</u>	<u>18,815,764</u>
Transfers					<u>(102,000)</u>	<u>102,000</u>	<u>-</u>
Total general revenues and transfers					<u>18,713,764</u>	<u>102,000</u>	<u>18,815,764</u>
Changes in net position					<u>(2,053,298)</u>	<u>102,000</u>	<u>(1,951,298)</u>
Net position, beginning, as previously stated					14,635,973	6,700,471	21,336,444
Restatement (Note 8)					<u>(2,532,723)</u>	<u>-</u>	<u>(2,532,723)</u>
Net position, beginning, as restated					<u>12,103,250</u>	<u>6,700,471</u>	<u>18,803,721</u>
Net position, end of year					<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Balance Sheet*  
*Governmental Funds*  
 June 30, 2018

	<b>General Fund</b>	<b>School Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ 5,274,303	\$ -	\$ 181,810	\$ 5,456,113
Restricted cash and investments	80,000	10,431,372	-	10,511,372
Receivables, net	418,290	-	5,025	423,315
Due from other governments	1,540,606	98,742	25,237	1,664,585
Due from other funds	9,405	-	-	9,405
Total assets	<u>\$ 7,322,604</u>	<u>\$ 10,530,114</u>	<u>\$ 212,072</u>	<u>\$ 18,064,790</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 522,149	\$ -	\$ 70,702	\$ 592,851
Accounts payable from restricted assets	-	1,063,892	-	1,063,892
Due to general fund	-	-	9,405	9,405
Total liabilities	<u>522,149</u>	<u>1,063,892</u>	<u>80,107</u>	<u>1,666,148</u>
<b>Deferred inflows of resources</b>	<u>560,902</u>	<u>-</u>	<u>5,025</u>	<u>565,927</u>
<b>Fund balances</b>				
Restricted:				
Stabilization by State statute	1,550,011	98,742	15,230	1,663,983
Public safety	46,540	-	111,672	158,212
School capital	-	9,367,480	-	9,367,480
Register of deeds	98,842	-	-	98,842
Committed:				
Tax revaluation	80,000	-	-	80,000
Culture and recreation	-	-	38	38
Unassigned	4,464,160	-	-	4,464,160
Total fund balances	<u>6,239,553</u>	<u>9,466,222</u>	<u>126,940</u>	<u>15,832,715</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,322,604</u>	<u>\$ 10,530,114</u>	<u>\$ 212,072</u>	<u>\$ 18,064,790</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Balance Sheet*  
*Governmental Funds*  
 June 30, 2018

Total fund balances for governmental funds	\$ 15,832,715
<p>Amounts reported for governmental activities in the statement of net position          (Exhibit 1) are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources          and therefore are not reported in the governmental funds:</p>	
Original cost and/or donated value	23,610,207
Less accumulated depreciation	(9,566,250)
<p>Deferred outflows of resources are not available to satisfy current obligations          in the fund statements; however, they are considered a consumption of          net position that applies to a future period and are included in the statement          of net position:</p>	
Contributions to pension plans in the current fiscal year	428,267
Benefit payments for OPEB subsequent to year end	89,593
Pension-related deferrals	629,613
OPEB-related deferrals	10,728
<p>Accrued interest receivable is not available to pay current-period expenditures          and therefore not recognized as revenue in the fund statements.</p>	
	72,348
Net pension liability - LGERS	(1,314,300)
Total pension liability - LEOSSA	(583,774)
Total OPEB liability	(3,833,334)
<p>Deferred inflows of resources are not available to satisfy current obligations          in the fund statements; however, they are considered economic resources          and recognized as revenue in the government-wide statements.</p>	
Pension deferrals	(128,563)
OPEB related deferrals	(276,927)
Ad valorem taxes (net)	423,315
<p>Liabilities that, because they are not due and payable in the current period,          do not require current resources to pay and are therefore not reported          in the fund statements:</p>	
Installment purchase contracts and capital lease obligations	(13,601,898)
Compensated absences	(474,317)
Landfill post-closure liability	(959,408)
Accrued interest payable	(308,063)
Net position of governmental activities	<u>\$ 10,049,952</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the year ended June 30, 2018

	General Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 13,684,927	\$ -	\$ 1,178,727	\$ 14,863,654
Local option sales taxes	3,755,013	-	-	3,755,013
Other taxes	131,389	-	-	131,389
Unrestricted intergovernmental	121,690	-	-	121,690
Restricted intergovernmental	3,295,453	1,051,590	228,420	4,575,463
Licenses and permits	231,613	-	-	231,613
Sales and services	1,006,952	-	-	1,006,952
Investment earnings	12,348	847	25	13,220
Miscellaneous	8,017	-	-	8,017
Total revenues	<u>22,247,402</u>	<u>1,052,437</u>	<u>1,407,172</u>	<u>24,707,011</u>
<b>Expenditures</b>				
Current:				
General government	3,247,913	-	-	3,247,913
Public safety	5,055,838	-	1,485,587	6,541,425
Environmental protection	1,757,721	-	-	1,757,721
Economic and physical development	628,468	-	-	628,468
Human services	5,115,916	-	45,215	5,161,131
Cultural and recreational	727,554	-	-	727,554
Intergovernmental:				
Education	3,709,172	4,060,215	-	7,769,387
Debt service:				
Principal	387,044	-	-	387,044
Interest and fees	136,439	-	-	136,439
Total expenditures	<u>20,766,065</u>	<u>4,060,215</u>	<u>1,530,802</u>	<u>26,357,082</u>
Revenues over (under) expenditures	<u>1,481,337</u>	<u>(3,007,778)</u>	<u>(123,630)</u>	<u>(1,650,071)</u>
<b>Other Financing Sources (Uses)</b>				
Capital lease obligations issued	113,926	11,474,000	-	11,587,926
Proceeds from the sale of assets	375	-	-	375
Transfers from (to) other funds	(439,154)	319,000	18,154	(102,000)
Total other financing sources (uses)	<u>(324,853)</u>	<u>11,793,000</u>	<u>18,154</u>	<u>11,486,301</u>
Net changes in fund balances	1,156,484	8,785,222	(105,476)	9,836,230
Fund balance, beginning	<u>5,083,069</u>	<u>681,000</u>	<u>232,416</u>	<u>5,996,485</u>
Fund balance, end of year	<u>\$ 6,239,553</u>	<u>\$ 9,466,222</u>	<u>\$ 126,940</u>	<u>\$ 15,832,715</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
 For the year ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--total governmental funds	\$ 9,836,230
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense with any residual book value expensed if the asset is disposed:</p>	
Capital outlay expenditures capitalized during the year;	430,491
Depreciation expense recorded during the current year; and	(780,478)
The issuance of long-term debt provides current financial resources to governmental funds but is recorded as an increase to long-term debt in the Statement of Net Position	(11,587,926)
Principal payments on long-term debt are recorded as expenditures in the fund statements, but are recorded as a reduction of long-term debt in the Statement of Net Position	387,044
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	428,267
OPEB benefit payments and admin costs made in the current fiscal year are not included on the Statement of Activities	89,593
<p>Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:</p>	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(240,563)
Change in compensated absences	(32,513)
Change in landfill post-closure liability	55,113
Pension expense (LGERS)	(450,718)
Pension expense (LEOSSA)	(60,035)
OPEB plan expense	(171,899)
<p>Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:</p>	
Net change in accrued interest receivable on property taxes; and	13,016
Net change in taxes receivable	31,080
Change in net position - governmental activities	\$ (2,053,298)

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund

For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 13,600,861	\$ 13,600,861	\$ 13,684,927	\$ 84,066
Local option sales taxes	3,561,234	3,741,234	3,755,013	13,779
Other taxes	120,176	230,176	131,389	(98,787)
Unrestricted intergovernmental	76,000	96,000	121,690	25,690
Restricted intergovernmental	3,374,829	3,280,565	3,295,453	14,888
Licenses and permits	220,110	220,110	231,613	11,503
Sales and services	1,079,939	1,079,939	1,006,952	(72,987)
Investment earnings	35,688	35,688	12,348	(23,340)
Miscellaneous	9,525	9,525	8,017	(1,508)
Total revenues	<u>22,078,362</u>	<u>22,294,098</u>	<u>22,247,402</u>	<u>(46,696)</u>
<b>Expenditures</b>				
Current:				
General government	3,252,531	3,368,994	3,247,913	121,081
Public safety	4,795,486	5,059,720	5,055,838	3,882
Environmental protection	1,844,490	1,820,453	1,757,721	62,732
Economic and physical development	509,256	653,569	628,468	25,101
Human services	5,791,808	5,617,366	5,115,916	501,450
Cultural and recreational	759,167	742,742	727,554	15,188
Intergovernmental:				
Education	4,217,750	4,212,308	3,709,172	503,136
Debt service:				
Principal retirement	268,667	380,878	387,044	(6,166)
Interest and other charges	132,097	142,608	136,439	6,169
Total expenditures	<u>21,571,252</u>	<u>21,998,638</u>	<u>20,766,065</u>	<u>1,232,573</u>
Revenues over expenditures	<u>507,110</u>	<u>295,460</u>	<u>1,481,337</u>	<u>1,185,877</u>
<b>Other Financing Sources (Uses)</b>				
Installment obligations issued	-	113,926	113,926	-
Proceeds from sale of assets	-	-	375	375
Transfers to other funds	(507,110)	(409,386)	(479,154)	(69,768)
Total other financing sources (uses)	<u>(507,110)</u>	<u>(295,460)</u>	<u>(364,853)</u>	<u>(69,393)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,116,484	<u>\$ 1,116,484</u>
Fund balance, beginning, as previously stated			<u>5,043,069</u>	
Fund balance, end of year - General Fund			6,159,553	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfer from the general fund			40,000	
Fund balance, beginning of year - Revaluation Fund			<u>40,000</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 6,239,553</u>	

The accompanying notes are an integral part of these financial statements

YANCEY COUNTY, NORTH CAROLINA

Statement of Net Position  
Proprietary Fund  
June 30, 2018

	<b>East Yancey Water and Sewer Fund</b>
	<hr/>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 163,279
Due from other governments	70,141
Total current assets	<hr/> 233,420
Non-current assets:	
Capital assets:	
Construction in progress	<hr/> 6,569,051
Total assets	<hr/> 6,802,471
 <b>Net Position</b>	
Net investment in capital assets	6,569,051
Unrestricted	<hr/> 233,420
Total net position	<hr/> \$ 6,802,471

The accompanying notes are an integral part of these financial statements



## YANCEY COUNTY, NORTH CAROLINA

*Statement of Cash Flows*  
*Proprietary Fund*  
 For the year ended June 30, 2018

	<b>East Yancey Water and Sewer Fund</b>
<b>Cash flows from capital and related financing activities:</b>	
Cash received from capital grants	\$ 60,000
Transfers from other funds	102,000
Acquisition and construction of capital assets	(101,557)
Net cash provided by capital and related financing activities	60,443
Net increase in cash and cash equivalents	60,443
<b>Cash and cash equivalents:</b>	
Beginning of year	102,836
End of year	\$ 163,279

The accompanying notes are an integral part of these financial statements

YANCEY COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position  
June 30, 2018

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 78,315
Due from other governments	<u>5,606</u>
	<u>\$ 83,921</u>
<b>Liabilities</b>	
Due to others	\$ 52,918
Due to the Town of Burnsville	<u>31,003</u>
	<u>\$ 83,921</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

#### Note 1 – Summary of Significant Accounting Policies

The accounting policies of Yancey County (the “County”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

##### (A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. Included within the reporting entity are the following blended component units:

##### 1. **Yancey County Industrial Facility and Pollution Control Financing Authority (the “Authority”)**

The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

##### 2. **East Yancey Water and Sewer District ( the “District”)**

The District was established by the Yancey County Board of Commissioners (the “Board”) for the purpose of constructing a sewer system in East Yancey County. The District’s governing board is the same as the County’s governing board. The Board adopts a budget to be used by the District and approves amendments to the approved budget. The District, which has a June 30 year-end, is reported as an enterprise fund of the County in accordance with G.S. 159-26(b)(4). It does not issue separate financial statements.

##### (B) Basis of Presentation – Basis of Accounting

##### **Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the County’s net position. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

*School Capital Project Fund.* This fund accounts for the construction of Blue Ridge Elementary School. This fund was authorized via a multi-year capital project ordinance adopted by the governing board.

The County reports the following major enterprise funds:

*East Yancey Water and Sewer Fund.* This fund accounts for the construction of a water and sewer system in East Yancey County, as well as the user fees and maintenance expenses associated with its operation when the system is completed and placed in service.

The County also reports the following fund types:

*Special Revenue Funds.* Special revenue funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains three non-major special revenue funds: the Fire District Fund, the Emergency Telephone System Fund, and the Grants Fund.

*Capital Project Funds.* Capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). The County maintains one non-major capital project fund.

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Yancey County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Senior Center Fund, which accounts for funds held on behalf of the Senior Center.

### **(C) Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs,

followed by categorical block grants, and then by general revenues.

**(D) Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, and all special revenue funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the East Yancey Water and Sewer Enterprise Capital Project Fund, the Capital Projects Fund, and the School Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change department appropriations by more than \$10,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**(E) Assets, Liabilities, and Fund Equity**

**(1) Deposits and Investments**

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**(2) Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**(3) Restricted Assets**

Money in the Revaluation Fund is classified as restricted assets because its use is restricted by North Carolina General Statute 153A-150. Unspent debt proceeds in the School Capital Projects Fund is classified as restricted assets because its use is restricted by revenue source.

**(4) Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**(5) Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**(6) Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. The County follows a capitalization threshold of \$5,000 for all assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the County, excluding land and construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Other Improvements	10-25
Equipment and Vehicles	3-10
Computer Software	5

**(7) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The County has three items that meet this criterion: pension and OPEB related deferrals, contributions made to the pension plan in the current fiscal year, benefit payments and administrative costs paid for retiree health benefits in the current fiscal year.

In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet this criterion – prepaid taxes, ad valorem taxes receivable, and pension and OPEB related deferrals.

**(8) Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

**(9) Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences are liquidated in the General Fund and are accounted for on the first in, first out ("FIFO") basis, assuming that employees are taking leave time as it is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

**(10) Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State statute.

**(11) Fund Balances**

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain expenditures in the Sheriff's Department, operation and maintenance of County's emergency telephone system, or for fire protection in the County.

Restricted for School Capital – portion of fund balance that represents unspent debt proceeds for the construction of the new Blue Ridge Elementary School.

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for computer and imaging technology in the Register of Deeds office.

*Committed Fund Balance* – The classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation – portion of fund balance that can only be used for Tax Revaluation.

Committed for Culture and Recreation – portion of fund balance that will be used for culture and recreation capital projects.

*Unassigned Fund Balance* – Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned for specific purposes or other funds.

The County does not have a formal revenue spending policy. However, it is the County's practice to use resources in the following hierarchy: Installment loan proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The County has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the County in such a manner that the fund balance available for appropriation is at least equal to 16 percent of the General Fund operating budget. Any portion of the fund balance in excess of 16 percent of the General Fund operating budget may be appropriated by the County Commissioners through an amendment to the subsequent year's budget ordinance.

## **(12) Defined Benefit Pension Plans**

The County participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State; the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LGERS and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan. Investments are reported at fair value.

## **Note 2 – Detail Notes on All Funds**

### **(A) Assets**

#### **(1) Deposits**

All of the County's deposits are either insured or collateralized by using the pooling method, which is a collateral pool; all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization; and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The County does not have policies regarding custodial credit risk.

At June 30, 2018, the County's deposits had a carrying amount of \$15,638,071 and a bank balance of \$16,178,806. Of the bank balance, \$546,540 was covered by federal depository insurance, and

\$15,632,266 in interest bearing deposits were covered by collateral held under the pooling method. The County also had petty cash on hand at June 30, 2018 of \$917.

## (2) Investments

At June 30, 2018, the County's investments consisted of \$570,091 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The portfolio has no maturity value and is measured at amortized cost.

*Interest Rate Risk.* The County does not have a formal investment policy but as a matter of practice invests only in short term investment instruments.

*Credit Risk.* The County's investments in the NC Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The County has no policy on credit risk.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk.

*Concentration of Credit Risk.* The County places no limit on the amount that may be invested in any one issuer. The County does not have a formal policy on concentration of credit risk.

## (3) Receivables

Receivables at the fund and government-wide level at June 30, 2018 were as follows:

	<u>Governmental Funds</u>		Accrual Adjustment	Governmental Activities	Business- Type Activities
	<u>General</u>	<u>Other</u>			
Receivables:					
Ad valorem taxes	\$ 548,290	\$ 37,025	\$ -	\$ 585,315	\$ -
Due from other governments	1,540,606	123,979	-	1,664,585	70,141
Interest on taxes	-	-	72,348	72,348	-
Less: allowance - ad valorem	<u>(130,000)</u>	<u>(32,000)</u>	<u>-</u>	<u>(162,000)</u>	<u>-</u>
Total receivables (net)	<u>\$ 1,958,896</u>	<u>\$ 129,004</u>	<u>\$ 72,348</u>	<u>\$ 2,160,248</u>	<u>\$ 70,141</u>

Due from other governments that is owed to the County consists of the following:

Governmental Activities

Local option sales tax	\$ 1,020,730
Sales tax refunds	141,858
DSS administrative reimbursements	194,144
Motor vehicle taxes	94,035
Other	213,818
Total	<u>\$ 1,664,585</u>

Business-Type Activities

Grant reimbursements	<u>\$ 70,141</u>
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**(4) Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,918,839	\$ -	\$ -	\$ 2,918,839
Construction in progress	84,184	16,699	84,184	16,699
Total capital assets not being depreciated	<u>3,003,023</u>	<u>16,699</u>	<u>84,184</u>	<u>2,935,538</u>
Capital assets being depreciated:				
Land improvements	1,227,229	-	-	1,227,229
Buildings and improvements	15,585,521	-	-	15,585,521
Equipment	1,368,646	30,854	-	1,399,500
Computer software	80,000	281,072	-	361,072
Vehicles and motor equipment	1,966,398	186,050	51,101	2,101,347
Total capital assets being depreciated	<u>20,227,794</u>	<u>497,976</u>	<u>51,101</u>	<u>20,674,669</u>
Less accumulated depreciation for:				
Land improvements	589,393	122,723	-	712,116
Buildings and improvements	5,953,058	253,298	-	6,206,356
Equipment	849,007	101,000	-	950,007
Computer software	70,078	82,489	-	152,567
Vehicles and motor equipment	1,375,337	220,968	51,101	1,545,204
Total accumulated depreciation	<u>8,836,873</u>	<u>780,478</u>	<u>51,101</u>	<u>9,566,250</u>
Capital assets being depreciated, net	<u>11,390,921</u>			<u>11,108,419</u>
Governmental activities capital assets, net	<u>\$ 14,393,944</u>			<u>\$ 14,043,957</u>

Depreciation was charged to expense as follows:

General government	\$ 124,253
Public safety	267,287
Environmental protection	21,319
Economic and physical development	19,151
Human services	183,927
Cultural and recreational	<u>164,541</u>
Total depreciation expenses	<u>\$ 780,478</u>

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 6,467,494</u>	<u>\$ 101,557</u>	<u>\$ -</u>	<u>\$ 6,569,051</u>

Construction Commitments

At June 30, 2018, the County had \$8,244,034 in outstanding construction commitments related to the construction of Blue Ridge Elementary School.

**(B) Liabilities**

**(1) Payables**

Payables at the fund and government-wide level at June 30, 2018, were as follows:

	<u>Governmental Funds</u>			<u>Governmental Activities</u>
	<u>General</u>	<u>Other</u>	<u>Accrual Adjustment</u>	
Accounts payable	\$ 224,395	\$ 1,134,594	\$ -	\$ 1,358,989
Accrued wages	297,754	-	-	297,754
Accrued interest	<u>-</u>	<u>-</u>	<u>308,063</u>	<u>308,063</u>
Total accounts payable and accrued expenses	<u>\$ 522,149</u>	<u>\$ 1,134,594</u>	<u>\$ 308,063</u>	<u>\$ 1,964,806</u>

**(2) Pension Plan Obligations**

Local Governmental Employees' Retirement System

*Plan Description.* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of

Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$428,267 for the year ended June 30, 2018.

*Refunds of Contributions.* County employees that have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the County reported a liability of \$1,314,300 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the

measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County’s proportion was .08603%, which was a decrease of .00088% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$450,718. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,717	\$ 37,204
Changes of assumptions	187,700	-
Net difference between projected and actual earnings on pension plan investments	319,114	-
Changes in proportion and difference between County contributions and proportionate share of contributions	11,972	15,474
County contributions subsequent to the measurement date	428,267	-
	<u>\$ 1,022,770</u>	<u>\$ 52,678</u>

\$428,267 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 70,790
2020	380,230
2021	191,884
2022	(101,079)
2023	-
Thereafter	-
	<u>\$ 541,825</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 3,945,559	\$ 1,314,300	\$ (881,970)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

*Law Enforcement Officers Special Separation Allowance*

*Plan Description:* The County administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2016 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>19</u>
Total	<u><u>19</u></u>

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statement 73.

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

*Contributions.* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no benefit payments made during the reporting period.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the County reported a total pension liability of \$583,774. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$60,035.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 64,558
Changes of assumptions	<u>35,110</u>	<u>11,327</u>
	<u>\$ 35,110</u>	<u>\$ 75,885</u>

\$31,680 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ (7,995)
2020	(7,995)
2021	(7,995)
2022	(7,995)
2023	(7,447)
Thereafter	<u>(1,348)</u>
	<u>\$ (40,775)</u>

*Sensitivity of the County’s total pension liability to changes in the discount rate.* The following presents the County’s total pension liability calculated using the discount rate of 3.16 percent, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 638,806	\$ 583,774	\$ 533,620

	2018
Beginning balance	\$ 573,254
Service cost	23,459
Interest on the total pension liability	22,128
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(76,878)
Change of assumptions or other inputs	41,811
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 583,774</u>

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the wage inflation rate from 3.00 percent at December 31, 2016 to 2.50 percent at December 31, 2017.

*Changes in Benefit Terms.* Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability for LGERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 1,314,300	\$ -	\$ 1,314,300
Proportion of the Net Pension Liability	0.08603%	N/A	
Total Pension Liability	-	583,774	
Pension Expense	\$ 450,718	\$ 60,035	\$ 510,753

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 75,717	\$ -	\$ 75,717
Changes of assumptions	187,700	35,110	222,810
Net difference between projected and actual earnings on pension plan investments	319,114	-	319,114
Changes in proportion and differences between County contributions and proportionate share of contributions	11,972	-	11,972
County contributions (LGERS)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>428,267</u>	<u>-</u>	<u>428,267</u>
	<u>\$ 1,022,770</u>	<u>\$ 35,110</u>	<u>\$ 1,057,880</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 37,204	\$ 64,558	\$ 101,762
Changes of assumptions	-	11,327	11,327
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>15,474</u>	<u>-</u>	<u>15,474</u>
	<u>\$ 52,678</u>	<u>\$ 75,885</u>	<u>\$ 128,563</u>

Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description:* The County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law

Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The County contributed \$52,487 for the year ended June 30, 2018. No amounts were forfeited.

**(3) Other Postemployment Benefit**

Plan Description

Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). This plan provides post-employment healthcare benefits (OPEB) to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (“System”) and have at least 10 years of creditable service with the County. Once the retiree becomes eligible for Medicare, then the County’s health insurance plan will pay claims secondary to Medicare. Also, the County’s retirees can purchase coverage for their dependents at the County’s group rates. Dependent coverage terminates upon the dependent attaining age 65. The County may amend the benefit provisions. A separate report was not issued for the plan. Retirees hired prior to July 1, 2007 receive the same benefits as active employees. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. As of July 1, 2007, the plan has been closed to new entrants. The plan, which has a June 30, 2018 year end, does not issue a stand-alone report.

Plan membership

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	19
Active plan members	<u>143</u>
Total	<u><u>162</u></u>

Total OPEB Liability

The County’s total OPEB liability of \$3,833,334 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016.

*Actuarial assumptions and other inputs:* The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5% to 7.75% percent
Discount rate	3.56% percent
Healthcare cost trend rates	Pre-Medicare – 7.5% decreasing to 5.0% by 2023 Medicare – 5.5% decreasing to 5.0% by 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 4,029,836
Changes for the year	
Service cost	92,707
Interest	119,771
Differences between expected and actual experience	12,363
Changes in assumptions or other inputs	(319,141)
Benefit payments	(102,202)
Net changes	<u>(196,502)</u>
Balance at June 30, 2018	<u>\$ 3,833,334</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using scale MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<b>1% Decrease</b> <b>(2.56%)</b>	<b>Discount Rate</b> <b>(3.56%)</b>	<b>1% increase</b> <b>(4.56%)</b>
Total OPEB Liability	\$4,443,024	\$3,833,334	\$3,338,207

Sensitivity of the total OPEB liability to changes healthcare cost trend rates

The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Pre-Medicare 6.5%</b> <b>decreasing to 4.0%</b> <b>Medicare 4.5%</b> <b>decreasing to 4.0%</b>	<b>Pre-Medicare 7.5%</b> <b>decreasing to 5.0%</b> <b>Pre-Medicare 5.5%</b> <b>decreasing to 5.0%</b>	<b>Pre-Medicare 8.5%</b> <b>decreasing to 6.0%</b> <b>Pre-Medicare 6.5%</b> <b>decreasing to 6.0%</b>
Total OPEB Liability	\$3,313,981	\$3,833,334	\$4,470,464

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County recognized OPEB expense of \$171,899. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,728	\$ -
Changes of assumptions	-	276,927
Benefit payments made subsequent to the measurement date	89,593	-
	\$ 100,321	\$ 276,927

\$89,593 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ (40,579)
2020	(40,579)
2021	(40,579)
2022	(40,579)
2023	(40,579)
Thereafter	(63,304)
	\$ (266,199)

**(4) Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

**(5) Landfill Post-Closure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$959,408 reported as landfill post-closure care liability at June 30, 2018, represents the projected actual post-closure care cost of the closed municipal solid waste landfill over the next 7 years and construction and demolition landfill over the next 21 years based on what it would cost to perform all post-closure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**(6) Long-term debt**

The County's long-term debt as of June 30, 2018, consisted of the following:

*Capital Leases*

The County has entered into agreements to lease certain vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception. The following summarizes capital lease activity for the fiscal year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Vehicle lease purchase agreement, annual payments of \$23,520, including interest at 5.5% through July 2017	\$ 22,293	\$ -	\$ 22,293	\$ -
Vehicle lease purchase agreement, annual payments of \$14,665, including interest at 5.75% through August 2017	13,867	-	13,867	-
Vehicle lease purchase agreement, annual payments of \$44,551, including interest at 5.5% through August 2017	42,190	-	42,190	-
Equipment lease purchase agreement, annual payments of \$40,026, including interest at 5.5% through August 2019	<u>-</u>	<u>113,926</u>	<u>40,026</u>	<u>73,900</u>
	<u>\$ 78,350</u>	<u>\$ 113,926</u>	<u>\$ 118,376</u>	<u>\$ 73,900</u>

The capital assets acquired through capital leases are recorded in the governmental activities as follows:

Asset:	
Vehicles	\$ 113,381
Accumulated depreciation	<u>20,786</u>
Total	<u>\$ 134,167</u>

The future minimum lease obligations as of June 30, 2018, including interest, were as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 35,961	\$ 4,065
2020	37,939	2,087
	<u>\$ 73,900</u>	<u>\$ 6,152</u>

*Installment purchases*

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
\$2,200,000 installment purchase contract, annual principal payments of \$102,667 through September 2024, plus annual interest at 4.87 percent	\$ 821,333	\$ -	\$ 102,667	\$ 718,666
\$980,000 installment purchase contract, annual principal payments of \$65,333 through September 2024, plus interest at 7.59 percent	522,667	-	65,334	457,333
\$990,000 installment purchase contract, annual principal payments of \$66,000 through June 2025, including interest at 7.36 percent	528,000	-	66,000	462,000
\$520,000 installment purchase contract, annual principal payments of \$34,667 through 2030, including interest at 3.01 percent	450,666	-	34,667	415,999
\$1,574,000 installment purchase contract, annual payments of \$667,397 through 2020, including interest at 2.89 percent	-	1,574,000	-	1,574,000
\$9,900,000 installment purchase contract, annual payments of \$953,507 beginning in 2021 through 2032, including interest at 2.89 percent	-	9,900,000	-	9,900,000
Total governmental activities	<u>\$ 2,322,666</u>	<u>\$ 11,474,000</u>	<u>\$ 268,668</u>	<u>\$ 13,527,998</u>

Future minimum payments for installment purchases are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 890,575	\$ 447,835
2020	908,548	414,001
2021	927,041	379,649
2022	946,068	344,761
2023	965,645	309,327
2024 - 2028	4,440,260	968,607
2029 - 2033	4,449,861	387,003
	<u>\$ 13,527,998</u>	<u>\$ 3,251,183</u>

The County's legal debt margin as of June 30, 2018 was approximately \$168 million.

**(7) Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	(As restated)				Current Portion
	Beginning Balances	Increases	Decreases	Ending Balances	
Governmental activities:					
Installment purchase	\$ 2,322,666	\$ 11,474,000	\$ 268,668	\$ 13,527,998	\$ 890,575
Capital leases	78,350	113,926	118,376	73,900	35,961
Compensated absences	441,802	319,601	287,086	474,317	287,086
Landfill post-closure liability	1,014,521	-	55,113	959,408	55,940
Net pension liability - LGERS	1,844,520	-	530,220	1,314,300	-
Total pension liability - LEOSSA	573,254	10,520	-	583,774	-
Total OPEB liability	4,029,836	-	196,502	3,833,334	-
Total governmental activities	<u>\$ 10,304,949</u>	<u>\$ 11,918,047</u>	<u>\$ 1,455,965</u>	<u>\$ 20,767,031</u>	<u>\$ 1,269,562</u>

**(C) Deferred Outflows and Inflows of Resources**

Deferred inflows of resources at June 30, 2018, are as follows:

	Governmental Funds		Accrual Adjustment	Governmental Activities
	General	Other		
Unavailable:				
Taxes receivable (net)	\$ 418,290	\$ 5,025	\$ (423,315)	\$ -
Unearned:				
Prepaid taxes	60,622	-	-	60,622
Unspent grant proceeds	81,990	-	-	81,990
Pension deferrals (LEOSSA)	-	-	75,885	75,885
Pension deferrals (LGERS)	-	-	52,678	52,678
OPEB deferrals	-	-	276,927	276,927
Total deferred inflows	<u>\$ 560,902</u>	<u>\$ 5,025</u>	<u>\$ (17,825)</u>	<u>\$ 548,102</u>

Deferred outflows of resources at June 30, 2018, are as follows:

	Governmental Activities
Pension - difference between expected and actual experience (LGERS)	\$ 75,717
OPEB - difference between expected and actual experience	10,728
Pension - difference between projected and actual investment earnings (LGERS)	319,114
Pension - change in proportion and difference between employer contributions and proportionate share contributions (LGERS)	11,972
Pension - change in assumptions (LGERS)	187,700
Pension - change in assumptions (LEOSSA)	35,110
Contributions to the pension plan subsequent to the measurement date (LGERS)	428,267
Benefit payments paid subsequent to the measurement date (OPEB)	89,593
Total deferred outflows	<u>\$ 1,158,201</u>

**(D) Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of approximately \$20.8 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$1 million per occurrence, flood coverage up to \$5 million per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the County’s employees that have access to \$100 or more at any given time of the County’s funds are performance bonded through a commercial surety bond. The Director of Finance is bonded for \$100,000 and the tax collector is bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**(E) Inter-fund Balances and Activity**

The County uses a central depository for all of its funds. As a result of temporary timing differences in funds that cause the fund’s cash balance in the central depository to go negative, \$9,406 is due from the Grants Fund to the General Fund at June 30, 2018.

Inter-fund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to the School Capital Project Fund from the General Fund to fund school construction	\$ 319,000
Transfers to the Grant Fund from the General Fund for matching grants	18,154
Transfer to the East Yancey Water and Sewer Fund from the General Fund to fund construction	<u>102,000</u>
	<u>\$ 439,154</u>

**(F) Net Investment in Capital Assets**

The net investment in capital assets at June 30, 2018, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 14,043,957	\$ 6,569,051
Less:		
Installment purchase contracts	(13,527,998)	-
Capital leases	(73,900)	-
Addback: balance of school related debt	<u>11,474,000</u>	<u>-</u>
	<u>\$ 11,916,059</u>	<u>\$ 6,569,051</u>

**(G) Fund Balance**

Yancey County does not have a formal revenue spending policy. However, it is the County’s practice to use resources in the following hierarchy: installment loan proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 6,239,553
Less:	
Restricted for stabilization by State statute	1,550,011
Restricted for public safety	46,540
Restricted for Register of Deeds	98,842
Committed for tax revaluation	<u>80,000</u>
Unassigned fund balance	4,464,160
Less: working capital policy	<u>3,519,782</u>
Remaining fund balance	<u>\$ 944,378</u>

As noted earlier, the County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that the fund balance available for appropriation is at least equal to 16 percent of the General Fund operating budget.

### Note 3 – Related Organization

The chairman of the County’s governing board is responsible for appointing the members of the Board of the Yancey County Recreation Corporation, but the County’s accountability for this organization does not extend beyond making these appointments. The Corporation is a non-profit organization that exists to develop and provide recreational activities for county residents. It is funded with private donations.

### Note 4 – Joint Ventures

The County, in conjunction with the State of North Carolina, Mitchell County and Avery County, participates in a joint venture to operate Mayland Community College (the “College”). One member is appointed by the Boards of Education in each of the three counties; two members are appointed by the Boards of Commissioners in each of the three counties; and one member is appointed by the Governor of North Carolina from each of the three counties. The President of the Student Government Association of the College serves as an ex officio member of the Board of Trustees. The College is included as a component unit of the state. The County has the basic responsibility for providing annual appropriations for facilities. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College’s facilities. The County contributed \$336,233 and \$28,767 to the college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County’s financial statements at June 30, 2018. Complete financial statements for the College may be obtained from the Office of the Vice President for Administration Services, Mayland Community College, P.O. Box 547, Highway 19E, Spruce Pine, NC, 28777.

The County participates in a joint venture to operate the Avery Mitchell Yancey Regional Library (the “Library”) with Avery County, Mitchell County, and the Town of Spruce Pine. Each participating County appoints four members to the Board of the Library. The County has an ongoing financial responsibility for the joint venture because of the Library’s continued existence depends on the participating governments’ continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2018, the County contributed \$123,153 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library’s offices at 113 Old Highway 19E, P.O. Drawer 310, Burnsville, NC, 28714.

The County participates in a joint venture to operate Yancey County Planning and Economic Development Commission (the “Commission”) with the Town of Burnsville. Each participating government appoints one member to the governing body. The County has an ongoing financial responsibility for the joint venture because of the Commission’s continued existence depends on the participating governments’ continued funding. Neither of the participating governments have an equity interest in the Commission, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2018, the county contributed \$40,000 to the Commission to supplement its activities. Complete financial statements for the commission may be obtained from the Commission’s office at Yancey County Planning and Economic Development Commission, P.O. Box 246, Burnsville, NC, 28714

The County, in conjunction with 22 other county governments, participates in a joint venture to operate Vaya Health, a public managed care organization (“MCO”) which provides mental health, development disability, and substance abuse services to residents of the 23 county area. Each participating government appoints members to the governing body. The County has an ongoing financial responsibility for the joint venture because the MCO’s continued existence depends on participating governments’ funding. None of the participating governments have an equity interest in the MCO, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2018, the county contributed \$26,000 to the MCO to supplement its activities. Complete financial statements for the MCO may be obtained from the administrative offices at 200 Ridgefield Ct, Suite 206, Asheville, NC, 28806.

#### **Note 5 – Jointly Governed Organizations**

The High Country Council of Governments (the Council) is a voluntary association of seven county governments, including the County. The Council was created for the purpose of coordinating federal and state projects of a planning nature in the seen count area comprising Region D in northwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council’s governing body and this governing body selects the management and determines the budget and financing requirement of the Council. The County paid membership fees of \$9,451 to the Council during fiscal year ended June 30, 2018.

#### **Note 6 – Summary Disclosure of Significant Commitments and Contingencies**

##### ***Contingencies***

In the opinion of the County’s management and the County’s attorney, there were no pending or threatened litigation claims or assessments (excluding those that may as yet be unasserted) that could have a material adverse effect on the County’s financial position as of and for the year end June 30, 2018.

##### ***Federal and State Assisted Programs***

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

##### ***Commitments***

The County has an agreement with a local hospital to provide countywide emergency medical services. The contract requires the County to pay \$1,104,887 in the fiscal year ending June 30, 2019.

**Note 7 – Benefit Payments Issued by the State**

Certain benefits are paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. The additional aid to County recipients does not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 19,982,174	\$ 10,346,033
NC Health Choice	524,942	399
Supplemental nutrition program for Women, Infants, and Children	228,977	-
CWS Adoption Subsidy	-	54,248
State Foster Home	-	20,034
SC/SA Domiciliary Care	-	101,931
F/C at Risk Maximization	-	1,046
Title VI-E, Foster Care	287,777	108,102
Title VI-E, Adoption Subsidy	328,700	82,116
Temporary Assistance for Needy Families	26,467	-
Crisis Intervention/LIEAP	89,311	-
SFHF Maximization	-	46,192
	<u>\$ 21,468,348</u>	<u>\$ 10,760,101</u>

**Note 8 – Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments paid by the County related to OPEB during the measurement period (fiscal year June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$2,532,723.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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- Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in the Total Pension Liability
  - Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll
  - Local Government Employees' Retirement System – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
  - Local Government Employees' Retirement System – Schedule of County's Contributions
  - Other Post-Employment Benefits – Schedule of Changes in the Total OPEB Liability and Related Ratios
-

## YANCEY COUNTY, NORTH CAROLINA

*Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Last Two Fiscal Years\**

## Schedule of Change in Total Pension Liability

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 573,254	\$ 542,060
Service cost	23,459	27,919
Interest on the total pension liability	22,128	19,352
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(76,878)	-
Change of assumptions or other inputs	41,811	(16,077)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 583,774</u>	<u>\$ 573,254</u>

## Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total pension liability	\$ 583,774	\$ 573,254
Covered payroll	906,486	915,617
Total pension liability as a percentage of covered payroll	64.40%	62.61%

## Notes to the schedules:

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Yancey County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

## YANCEY COUNTY, NORTH CAROLINA

*County's Proportionate Share of the Net Pension Liability (Asset)*  
*Required Supplementary Information*  
 Last Five Fiscal Years\*

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.08603%	0.08691%	0.08234%	0.08321%	0.08160%
County's proportion of the net pension liability (asset) (\$)	\$ 1,314,300	\$ 1,844,520	\$ 369,537	\$ (490,728)	\$ 983,593
County's covered payroll	5,274,979	5,111,004	4,659,511	4,598,501	4,421,926
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.92%	36.09%	7.93%	( 10.67%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of the County's Contributions  
Required Supplementary Information  
Last Five Fiscal Years*

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 428,267	\$ 393,559	\$ 349,281	\$ 336,574	\$ 320,054
Contributions in relation to the contractually required contribution	<u>428,267</u>	<u>393,559</u>	<u>349,281</u>	<u>336,574</u>	<u>320,054</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered payroll	5,575,724	5,274,979	5,111,004	4,659,511	4,598,501
Contributions as a percentage of covered payroll	7.68%	7.46%	6.83%	7.22%	6.96%

## YANCEY COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2018

## Schedule of Changes in Total OPEB Liability

<b>Total OPEB Liability</b>	<u>2018</u>
Service cost	\$ 92,707
Interest on the total OPEB liability	119,771
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	12,363
Change of assumptions or other inputs	(319,141)
Benefit payments	(102,202)
Other changes	<u>-</u>
Net change in total OPEB liability	(196,502)
Total OPEB liability - beginning	<u>4,029,836</u>
Total OPEB liability - ending	<u><u>\$ 3,833,334</u></u>
Covered payroll	\$ 4,937,995
Total OPEB liability as a percentage of covered payroll	77.63%

## Notes to the schedule:

---

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

## MAJOR FUNDS

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### *Governmental Fund-Type:*

- The General Fund is the main operating fund of the County. It accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
  - Tax Revaluation Fund – This fund is established to set aside funding to finance the county-wide real property revaluation. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.
  - The School Capital Project Fund – This fund accounts for the financing and construction of Blue Ridge Elementary School.
-

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem taxes:			
Current year	\$ 13,236,361	\$ 13,408,181	\$ 171,820
Prior years	260,000	182,541	(77,459)
Penalties and interest	104,500	94,205	(10,295)
Total	<u>13,600,861</u>	<u>13,684,927</u>	<u>84,066</u>
Local option sales taxes:			
Article 39 and 44	1,898,431	1,912,302	13,871
Article 40 one-half of one percent	1,122,527	1,111,027	(11,500)
Article 42 one-half of one percent	720,276	731,684	11,408
Total	<u>3,741,234</u>	<u>3,755,013</u>	<u>13,779</u>
Other taxes:			
Medicaid hold harmless	90,000	-	(90,000)
White goods disposal tax	30,176	34,094	3,918
Occupancy tax	110,000	97,295	(12,705)
Total	<u>230,176</u>	<u>131,389</u>	<u>(98,787)</u>
Unrestricted intergovernmental revenues	<u>96,000</u>	<u>121,690</u>	<u>25,690</u>
Restricted intergovernmental revenues:			
DSS federal and state grants	2,460,310	2,607,393	147,083
Other federal and state grants	667,841	535,259	(132,582)
Other restricted	152,414	152,801	387
Total	<u>3,280,565</u>	<u>3,295,453</u>	<u>14,888</u>
Licenses and permits:			
Register of Deeds fees	175,110	184,015	8,905
Building, other permit, inspection fees	45,000	47,598	2,598
Total	<u>220,110</u>	<u>231,613</u>	<u>11,503</u>
Sales and services:			
Rents, concessions, and fees	199,119	203,492	4,373
Sherriff/jail fees	232,697	171,825	(60,872)
Sanitation fees	255,940	254,594	(1,346)
Landfill fees	139,983	113,643	(26,340)
Recreation fees	252,200	263,398	11,198
Total	<u>1,079,939</u>	<u>1,006,952</u>	<u>(72,987)</u>
Investment earnings	<u>35,688</u>	<u>12,348</u>	<u>(23,340)</u>
Miscellaneous	<u>9,525</u>	<u>8,017</u>	<u>(1,508)</u>
Total revenues	<u>22,294,098</u>	<u>22,247,402</u>	<u>(46,696)</u>

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
General government:			
Governing body	126,333	126,258	75
Administration	139,428	139,994	(566)
Finance	120,470	114,082	6,388
Tax administration	413,389	396,043	17,346
Clerk of court	8,000	5,723	2,277
Board of elections	192,521	170,857	21,664
Legal	54,620	47,871	6,749
Register of Deeds	234,668	223,184	11,484
Maintenance	533,907	533,157	750
License Plate Agency	127,215	126,549	666
Information technology	99,147	96,676	2,471
Non-departmental	1,319,296	1,267,519	51,777
Total general government	<u>3,368,994</u>	<u>3,247,913</u>	<u>121,081</u>
Public safety:			
Sheriff's department	1,620,192	1,621,579	(1,387)
Sheriff's asset forfeiture	5,000	7,151	(2,151)
Sheriff's dispatch	328,528	328,915	(387)
Jail	1,078,388	1,078,125	263
Emergency management	121,120	116,021	5,099
Inspections	121,919	121,803	116
Rescue squad	100,000	100,000	-
Ambulance services	1,114,157	1,114,157	-
Medical examiner	18,800	17,050	1,750
E-911	460,825	460,569	256
Animal control	1,000	997	3
Other	89,791	89,471	320
Total public safety	<u>5,059,720</u>	<u>5,055,838</u>	<u>3,882</u>
Environmental protection:			
Sanitation	1,283,337	1,282,202	1,135
Soil conservation	88,086	88,086	-
Forestry	58,554	46,134	12,420
Landfill	279,966	230,816	49,150
Recycling	110,510	110,483	27
Total environmental protection	<u>1,820,453</u>	<u>1,757,721</u>	<u>62,732</u>

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>			
Economic and physical development:			
Agricultural extension	223,965	217,622	6,343
Mapping	114,368	107,882	6,486
Economic development commission	165,648	165,647	1
Tourism	110,000	97,295	12,705
Planning	39,588	40,022	(434)
Total economic and physical development	<u>653,569</u>	<u>628,468</u>	<u>25,101</u>
Human services:			
Social services income maintenance	1,337,063	1,307,402	29,661
Children and family services	2,414,185	2,086,312	327,873
Child day care	329,478	331,448	(1,970)
Social services administration	488,030	454,190	33,840
Transportation	617,483	515,925	101,558
Contribution to regional health	406,141	403,763	2,378
Other	24,986	16,876	8,110
Total human services	<u>5,617,366</u>	<u>5,115,916</u>	<u>501,450</u>
Cultural and recreational:			
Library	123,318	123,153	165
Recreation	155,544	137,014	18,530
Campground	278,499	285,455	(6,956)
Other	185,381	181,932	3,449
Total cultural and recreational	<u>742,742</u>	<u>727,554</u>	<u>15,188</u>
Education:			
Public schools-current	2,929,484	2,900,150	29,334
Public schools-capital outlay	222,750	221,798	952
Public schools-local supplement	100,000	127,150	(27,150)
Public schools-timber receipts	55,074	55,074	-
Public schools-JROTC match	540,000	40,000	500,000
Community colleges-current	336,233	336,233	-
Community colleges-capital outlay	28,767	28,767	-
Total education	<u>4,212,308</u>	<u>3,709,172</u>	<u>503,136</u>
Debt service:			
Principal retirement	380,878	387,044	(6,166)
Interest and fees	142,608	136,439	6,169
Total debt service	<u>523,486</u>	<u>523,483</u>	<u>3</u>
Total expenditures	<u>21,998,638</u>	<u>20,766,065</u>	<u>1,232,573</u>
Revenues over expenditures	<u>295,460</u>	<u>1,481,337</u>	<u>1,185,877</u>

YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses)</b>			
Capital lease obligations issued	113,926	113,926	-
Proceeds from sale of assets	-	375	375
Transfers to other funds	<u>(409,386)</u>	<u>(479,154)</u>	<u>(69,768)</u>
Total other financing sources (uses)	<u>(295,460)</u>	<u>(364,853)</u>	<u>(69,393)</u>
Net change in fund balance	<u>\$ -</u>	1,116,484	<u>\$ 1,116,484</u>
Fund balance, beginning of year		<u>5,043,069</u>	
Fund balance, end of year		<u>\$ 6,159,553</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Revaluation Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
General Government:			
Revaluation	\$ 40,000	\$ -	\$ 40,000
<b>Other Financing Sources</b>			
Transfers from other funds	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	40,000	<u>\$ 40,000</u>
Fund balance, beginning of year		<u>40,000</u>	
Fund balance, end of year		<u>\$ 80,000</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*School Capital Projects Fund*

From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental	\$ 2,098,926	\$ 169,071	\$ 1,051,590	\$ 1,220,661	\$ (878,265)
Investment earnings	-	-	847	847	847
Total revenues	<u>2,098,926</u>	<u>169,071</u>	<u>1,052,437</u>	<u>1,221,508</u>	<u>(877,418)</u>
<b>Expenditures</b>					
Education:					
Blue Ridge Elementary School	<u>14,573,226</u>	<u>169,071</u>	<u>4,060,215</u>	<u>4,229,286</u>	<u>10,343,940</u>
Revenues under expenditures	<u>(12,474,300)</u>	<u>-</u>	<u>(3,007,778)</u>	<u>(3,007,778)</u>	<u>9,466,522</u>
<b>Other Financing Sources</b>					
Transfer from other funds	1,000,000	681,000	319,000	1,000,000	-
Installment obligations issued	<u>11,474,300</u>	<u>-</u>	<u>11,474,000</u>	<u>11,474,000</u>	<u>(300)</u>
Total other financing sources	<u>12,474,300</u>	<u>681,000</u>	<u>11,793,000</u>	<u>12,474,000</u>	<u>(300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 681,000</u>	8,785,222	<u>\$ 9,466,222</u>	<u>\$ 9,466,222</u>
Fund balance, beginning of year			<u>681,000</u>		
Fund balance, end of year			<u>\$ 9,466,222</u>		

## NONMAJOR GOVERNMENTAL FUNDS

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### *Special Revenue Funds*

- Fire District Fund – This fund is established to account for the ad valorem tax levies of the six fire districts in Yancey County.
- Emergency Telephone System Fund – This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operations.
- Grants Fund – This fund is established to account for the expenditure of various state and federal grants.

### *Capital Projects Fund*

- Capital Projects Fund – This fund is used to account for the acquisition or construction of major capital facilities of the County (other than those financed by proprietary funds).
-

YANCEY COUNTY, NORTH CAROLINA

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2018

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Fire District Fund	Emergency Telephone System Fund	Grants Fund	Capital Projects Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 70,100	\$ 111,672	\$ -	\$ 38	\$ 181,810
Receivables, net	5,025	-	-	-	5,025
Due from other governments	602	12,843	11,792	-	25,237
Total assets	<u>\$ 75,727</u>	<u>\$ 124,515</u>	<u>\$ 11,792</u>	<u>\$ 38</u>	<u>\$ 212,072</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 70,702	\$ -	\$ -	\$ -	\$ 70,702
Due to general fund	-	-	9,405	-	9,405
Total liabilities	<u>70,702</u>	<u>-</u>	<u>9,405</u>	<u>-</u>	<u>80,107</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>5,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,025</u>
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State statute	-	12,843	2,387	-	15,230
Public safety	-	111,672	-	-	111,672
Committed:					
Culture and recreation	-	-	-	38	38
Total fund balances	<u>-</u>	<u>124,515</u>	<u>2,387</u>	<u>38</u>	<u>126,940</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 75,727</u>	<u>\$ 124,515</u>	<u>\$ 11,792</u>	<u>\$ 38</u>	<u>\$ 212,072</u>

## YANCEY COUNTY, NORTH CAROLINA

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
 For the year ended June 30, 2018

	Special Revenue Funds			Capital Project Fund	<b>Total Nonmajor Governmental Funds</b>
	Fire District Fund	Emergency Telephone System Fund	Grants Fund	Capital Projects Fund	
<b>Revenues</b>					
Ad valorem taxes	\$ 1,178,727	\$ -	\$ -	\$ -	\$ 1,178,727
Restricted intergovernmental	-	153,806	74,614	-	228,420
Investment earnings	-	-	-	25	25
Total revenues	1,178,727	153,806	74,614	25	1,407,172
<b>Expenditures</b>					
Current:					
Public safety	1,178,586	259,939	47,062	-	1,485,587
Human services	-	-	45,215	-	45,215
Total expenditures	1,178,586	259,939	92,277	-	1,530,802
Revenues over (under) expenditures	141	(106,133)	(17,663)	25	(123,630)
<b>Other Financing Sources</b>					
Transfers from other funds	-	-	18,154	-	18,154
Net change in fund balances	141	(106,133)	491	25	(105,476)
Fund balances, beginning of year	(141)	230,648	1,896	13	232,416
Fund balances, end of year	\$ -	\$ 124,515	\$ 2,387	\$ 38	\$ 126,940

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Fire District Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes:	\$ 1,500,000	\$ 1,178,727	\$ (321,273)
<b>Expenditures</b>			
Public safety	<u>1,500,000</u>	<u>1,178,586</u>	<u>321,414</u>
Net change in fund balance	<u>\$ -</u>	141	<u>\$ 141</u>
Fund balance (deficit), beginning of year		<u>(141)</u>	
Fund balance, end of year		<u><u>\$ -</u></u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Emergency Telephone System Fund*  
 For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Restricted intergovernmental:			
E-911 surcharge	\$ 154,130	\$ 153,806	\$ (324)
<b>Expenditures</b>			
Public safety	<u>307,442</u>	<u>259,939</u>	<u>47,503</u>
Revenues under expenditures	<u>(153,312)</u>	<u>(106,133)</u>	<u>47,179</u>
<b>Other Financing Sources</b>			
Appropriated fund balance	<u>153,312</u>	<u>-</u>	<u>(153,312)</u>
Net change in fund balance	<u>\$ -</u>	<u>(106,133)</u>	<u>\$ (106,133)</u>
Fund balance, beginning of year		<u>230,648</u>	
Fund balance, end of year		<u>\$ 124,515</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Grants Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Restricted intergovernmental:			
State grants	\$ 78,347	\$ 74,614	\$ (3,733)
<b>Expenditures</b>			
Public safety	47,062	47,062	-
Human services	49,429	45,215	4,214
Total expenditures	<u>96,491</u>	<u>92,277</u>	<u>4,214</u>
Revenues under expenditures	<u>(18,144)</u>	<u>(17,663)</u>	<u>481</u>
<b>Other Financing Sources</b>			
Transfers from other funds	<u>18,144</u>	<u>18,154</u>	<u>10</u>
Net change in fund balance	<u>\$ -</u>	491	<u>\$ 491</u>
Fund balance, beginning of year		<u>1,896</u>	
Fund balance, end of year		<u>\$ 2,387</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Capital Projects Fund*

From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Investment earnings	\$ -	\$ 8	\$ 25	\$ 33	\$ 33
<b>Expenditures</b>					
Cultural and recreational:					
Recreational grounds	65,000	65,000	-	65,000	-
Revenues over (under) expenditures	(65,000)	(64,992)	25	(64,967)	33
<b>Other Financing Sources</b>					
Transfers from other funds	65,000	65,005	-	65,005	5
Total other financing sources	65,000	65,005	-	65,005	5
Net change in fund balance	<u>\$ -</u>	<u>\$ 13</u>	25	<u>\$ 38</u>	<u>\$ 38</u>
Fund balance, beginning of year			<u>13</u>		
Fund balance, end of year			<u>\$ 38</u>		

## **ENTERPRISE FUND**

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Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services. The County maintains the following major enterprise fund:

- East Yancey Water and Sewer Fund – This fund will be used to account for the operations and maintenance of the East Yancey Water and Sewer System when it is completed. The East Yancey Water and Sewer Capital Project Fund is a sub-fund within the enterprise fund used to account for the construction of the East Yancey Water and Sewer System. The operating fund had no activity during the fiscal year.
-

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*East Yancey Water & Sewer Capital Project Fund*  
 From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Capital grants - DENR	\$ 3,000,000	\$ 3,009,986	\$ -	\$ 3,009,986	\$ 9,986
Capital grants - Rural Center	3,000,000	3,004,732	-	3,004,732	4,732
Private grants - Golden Leaf	300,000	300,000	-	300,000	-
Local contributions - Town	170,050	170,000	-	170,000	(50)
Total revenues	<u>6,470,050</u>	<u>6,484,718</u>	<u>-</u>	<u>6,484,718</u>	<u>14,668</u>
<b>Expenditures</b>					
East Yancey Water and Sewer Project		6,467,494	101,557	6,569,051	
Bank service charges		6,205	-	6,205	
Total expenditures	<u>6,640,100</u>	<u>6,473,699</u>	<u>101,557</u>	<u>6,575,256</u>	<u>64,844</u>
Revenues over (under) expenditures	<u>(170,050)</u>	<u>11,019</u>	<u>(101,557)</u>	<u>(90,538)</u>	<u>79,512</u>
<b>Other Financing Sources</b>					
Transfers from other funds	<u>170,050</u>	<u>221,958</u>	<u>102,000</u>	<u>323,958</u>	<u>153,908</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 232,977</u>	443	<u>\$ 233,420</u>	<u>\$ 233,420</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:					
Capital outlay			<u>101,557</u>		
Change in net position			<u>\$ 102,000</u>		

## **AGENCY FUNDS**

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Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and/or other governmental entities.

- The County's Agency Funds are used to account for funds deposited with the Social Services Fund, the Motor Vehicle Tax Fund, the Fines and Forfeitures Fund, and the Senior Center Fund.
-

## YANCEY COUNTY, NORTH CAROLINA

*Combining Statement of Fiduciary Assets and Liabilities**Agency Funds*

June 30, 2018

	<b>Social Services Fund</b>	<b>Motor Vehicle Taxes Fund</b>	<b>Fines and Forfeitures Fund</b>	<b>Senior Center Fund</b>	<b>Total Agency Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 52,908	\$ 25,397	\$ -	\$ 10	\$ 78,315
Due from other governments	<u>-</u>	<u>5,606</u>	<u>-</u>	<u>-</u>	<u>5,606</u>
 Total assets	 <u>\$ 52,908</u>	 <u>\$ 31,003</u>	 <u>\$ -</u>	 <u>\$ 10</u>	 <u>\$ 83,921</u>
<b>Liabilities:</b>					
Amounts held for others	\$ 52,908	\$ -	\$ -	\$ 10	\$ 52,918
Due to the Town of Burnsville	<u>-</u>	<u>31,003</u>	<u>-</u>	<u>-</u>	<u>31,003</u>
 Total liabilities	 <u>\$ 52,908</u>	 <u>\$ 31,003</u>	 <u>\$ -</u>	 <u>\$ 10</u>	 <u>\$ 83,921</u>

## YANCEY COUNTY, NORTH CAROLINA

## Combining Statement of Changes in Fiduciary Assets and Liabilities

## Agency Funds

For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Social Services Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 54,133	\$ 203,445	\$ 204,670	\$ 52,908
Liabilities:				
Due to others	\$ 54,133	\$ 203,445	\$ 204,670	\$ 52,908
<b>Motor Vehicle Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 17,850	\$ 60,732	\$ 53,185	\$ 25,397
Due from other governments	-	5,606	-	5,606
Total assets	<u>\$ 17,850</u>	<u>\$ 66,338</u>	<u>\$ 53,185</u>	<u>\$ 31,003</u>
Liabilities:				
Due to the Town of Burnsville	<u>\$ 17,850</u>	<u>\$ 66,338</u>	<u>\$ 53,185</u>	<u>\$ 31,003</u>
<b>Fines and Forfeitures Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 8,452	\$ 8,452	\$ -
Liabilities:				
Due to Yancey County Schools	<u>\$ -</u>	<u>\$ 8,452</u>	<u>\$ 8,452</u>	<u>\$ -</u>
<b>Senior Center Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>
Liabilities:				
Due to others	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>
<b>Totals - all agency funds:</b>				
Assets:				
Cash and cash equivalents	\$ 71,993	\$ 272,629	\$ 266,307	\$ 78,315
Due from other governments	-	5,606	-	5,606
	<u>\$ 71,993</u>	<u>\$ 278,235</u>	<u>\$ 266,307</u>	<u>\$ 83,921</u>
Liabilities:				
Due to others	\$ 54,143	\$ 203,445	\$ 204,670	\$ 52,918
Due to the Town of Burnsville	17,850	66,338	53,185	31,003
Due to Yancey County Schools	-	8,452	8,452	-
	<u>\$ 71,993</u>	<u>\$ 278,235</u>	<u>\$ 266,307</u>	<u>\$ 83,921</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current County-Wide Tax Levy
-

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Ad Valorem Taxes Receivable**General Fund*

June 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 13,624,891	\$ 13,388,381	\$ 236,510
2016-2017	240,310	-	138,113	102,197
2015-2016	79,371	-	28,751	50,620
2014-2015	38,766	-	9,823	28,943
2013-2014	50,732	-	6,181	44,551
2012-2013	48,897	-	2,928	45,969
2011-2012	15,523	-	1,090	14,433
2010-2011	11,213	-	738	10,475
2009-2010	8,119	-	727	7,392
2008-2009	7,907	-	707	7,200
2007-2008	6,038	-	6,038	-
Total	<u>\$ 506,876</u>	<u>\$ 13,624,891</u>	<u>\$ 13,583,477</u>	548,290
Less allowance for uncollectible ad valorem taxes receivable				(130,000)
Ad valorem taxes receivable, net				<u>\$ 418,290</u>
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				<u>\$ 13,684,927</u>
Reconciling items:				
Write-offs				6,038
Penalties and interest				(94,205)
Releases and other adjustments				(13,283)
Total reconciling items				<u>(101,450)</u>
Total collections and credits				<u>\$ 13,583,477</u>

## YANCEY COUNTY, NORTH CAROLINA

*Analysis of Current Year County-Wide Tax Levy*  
*General Fund*  
 June 30, 2018

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$2,249,324,189	0.6000	\$ 13,495,945	\$ 12,471,216	\$ 1,024,729
Penalties	-		14,750	14,750	-
Total	<u>2,249,324,189</u>		<u>13,510,695</u>	<u>12,485,966</u>	<u>1,024,729</u>
Discoveries:					
Current year taxes	80,615,363	0.6000	483,692	483,692	-
Abatements	<u>(61,582,667)</u>	0.6000	<u>(369,496)</u>	<u>(369,496)</u>	<u>-</u>
Total property valuation	<u>\$ 2,268,356,885</u>				
Net levy			13,624,891	12,600,162	1,024,729
Current Year's Taxes Uncollected at June 30, 2018			<u>236,510</u>	<u>236,510</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 13,388,381</u>	<u>\$ 12,363,652</u>	<u>\$ 1,024,729</u>
Current Levy Collection %			<u>98.26%</u>	<u>98.12%</u>	<u>100.00%</u>

## COMPLIANCE SECTION

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The compliance section contains other reporting required by *Government Auditing Standards*.

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**Independent Auditors' Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

To the Board of County Commissioners  
Yancey County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Yancey County, North Carolina's basic financial statements, and have issued our report thereon dated December 10, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Yancey County, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yancey County, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Yancey County, North Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Yancey County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 10, 2018



**Independent Auditors' Report On Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act**

To the Board of Commissioners  
Yancey County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Yancey County, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Yancey County, North Carolina's major federal programs for the year ended June 30, 2018. Yancey County, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Yancey County, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yancey County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Yancey County, North Carolina's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Yancey County, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

Yancey County, North Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of Yancey County, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yancey County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yancey County, North Carolina's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompany schedule of findings and questioned costs as items 2018-001 and 2018-002 to be significant deficiencies.

Yancey County, North Carolina's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 10, 2018



**Independent Auditors' Report On Compliance With Requirements Applicable to Each Major State Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act**

To the Board of Commissioners  
Yancey County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Yancey County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Yancey County, North Carolina's major state programs for the year ended June 30, 2018. Yancey County, North Carolina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Yancey County, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Yancey County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Yancey County, North Carolina's compliance.

***Opinion on Each Major State Program***

In our opinion, Yancey County, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major state program is not modified with respect to this matter.

Yancey County, North Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of Yancey County, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yancey County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yancey County, North Carolina's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompany schedule of findings and questioned costs as items 2018-001 and 2018-002 to be significant deficiencies.

Yancey County, North Carolina's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Asheville, North Carolina  
December 10, 2018

**Yancey County, North Carolina**

*Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2018*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through</u>
<b>Federal Awards:</b>					
<u>U.S. Department of Agriculture</u>					
Food and Nutrition Service					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>SNAP Cluster:</u>					
Administration:					
Food Stamp Administration	10.561	185NC406S2514	\$ 220,838	\$ -	\$ -
Food Stamp Fraud	10.561	185NC406S2515	2,899	-	-
Total SNAP Cluster			<u>223,737</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>223,737</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Passed-through N.C. Dept. of Public Safety:					
Edward Bryne Memorial Justice Assistance Grant					
Edward Bryne Memorial Justice Assistance Grant Program	16.738	DJ-BX-0189	1,566	-	-
Total U.S. Department of Justice			<u>1,566</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation (DOT)</u>					
Federal Transit Administration:					
Passed-through the N.C. Dept. of Transportation:					
Rural Area Program:					
Administration	20.509	36233.113.17.1	108,862	6,804	-
Capital	20.509	36233.113.18.1	47,532	5,941	-
<u>Transit Services Program Cluster:</u>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.94.1.2	13,136	-	-
Total DOT			<u>169,530</u>	<u>12,745</u>	<u>-</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>					
Administration for Children and Families:					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster (Note 3):</u>					
Administration:					
Title IV-E Foster Care	93.658	1801NCFOST	238,944	1,749	-
Title IV-E Adoption	93.659	1801NCADPT	4,629	-	-
Direct Benefit Payments:					
Title IV-E Foster Care	93.658	1801NCFOST	213,672	86,689	-
Total Foster Care and Adoption Cluster (Note 3)			<u>457,245</u>	<u>88,438</u>	<u>-</u>
<u>TANF Cluster:</u>					
TANF/Work First Administration	93.558	G1801NCTANF	25,320	-	-
TANF/Work First Service	93.558	G1801NCTANF	155,394	-	-
Total TANF Cluster			<u>180,714</u>	<u>-</u>	<u>-</u>
Family Preservation	93.556	1801NCFPSS	9,923	-	-
IV-D Offset-ESC	93.563	1804NC4005	2	(1)	-
IV-D Offset-Fed	93.563	1804NC4006	196	-	-
IV-D Administration	93.563	1804NC4007	62,322	-	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	G18B1NCLIEA	106,000	-	-
Crisis Intervention Program	93.568	G18B1NCLIEA	76,712	-	-
Low Income Energy Assistance	93.568	G18B1NCLIEA	12,599	-	-
Permanency Planning Svc & Admin	93.645	G1801NCCWSS	925	-	-
SSBG Adult Day Care	93.667	G1701NCSOSR, G1801NCSOSR	46,373	25,128	-
In Home Services	93.667	G1701NCSOSR, G1801NCSOSR	1,703	-	-
In Home Services Over 60	93.667	G1701NCSOSR, G1801NCSOSR	109	-	-
CPS TANF to SSBG	93.667	G1701NCSOSR, G1801NCSOSR	94,276	-	-
LINKS	93.674	1801NCCILP	9,141	2,285	-

**Yancey County, North Carolina**

*Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2018*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through</u>
Administration for Children and Families: (continued)					
<u>Subsidized Child Care Cluster (Note 3):</u>					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	G1801NCCCDF	79,526	-	-
Total Child Care Development Fund Cluster			79,526	-	-
State Appropriations		XXXX	-	153	-
Total Subsidized Child Care Cluster (Note 3)			79,526	153	-
Centers for Medicare and Medicaid Services:					
Passed-through the N.C. Dept. of Health and Human Services:					
<u>Medicaid Cluster</u>					
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP 18	700,677	1,055	-
Total Medicaid Cluster			700,677	1,055	-
Division of Social Services:					
Administration:					
State Children's Insurance Program:					
N.C. Health Choice	93.767	CHIP 18	23,697	6	-
Total DHHS			1,862,140	117,064	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Assistance	97.042	EMA-2017-EP00005	38,642	-	-
Total Federal awards			2,295,615	129,809	-
<b>State Awards:</b>					
<u>N.C. Dept. of Health and Human Services (NCDHHS)</u>					
Division of Social Services:					
Administration:					
State Child Welfare/CPS			-	7,606	-
Direct Benefits:					
State Foster Home			-	20,034	-
Foster Care At Risk Max			-	1,046	-
SFHF Maximization			-	46,192	-
Total Division of Social Services			-	74,878	-
Total NCDHHS			-	74,878	-
<u>N.C. Dept. of Public Instruction (NCDPI)</u>					
Public School Building Capital Fund:					
Public School Building Capital Fund-Lottery			-	429,089	429,089
Public School Building Capital Fund-State ADM			-	622,501	622,501
Total NCDPI			-	1,051,590	1,051,590
<u>N.C. Dept. of Public Safety (NCDPS)</u>					
Division of Juvenile Justice:					
Juvenile Crime Prevention Program			-	6,003	6,003
Mountain Challenge			-	30,175	30,175
Project Challenge			-	31,557	31,557
Crossnore Project			-	5,313	5,313
Total NCDPS			-	73,048	73,048
<u>N.C. Dept. of Transportation (NCDOT)</u>					
Rural Operating Assistance Program (ROAP):					
ROAP Elderly and Disabled Transportation Assistance Program					
		DOT-16CL	-	54,924	-
ROAP Rural General Public Program		DOT-16CL	-	53,841	-
ROAP Work First Transitional - Employment		DOT-16CL	-	6,249	-
Total ROAP			-	115,014	-
Total NCDOT			-	115,014	-
Total State awards			-	1,314,530	1,124,638
Total Federal and State awards			\$ 2,295,615	\$ 1,444,339	\$ 1,124,638

Yancey County, North Carolina

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2018

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**Notes to the Schedule of Expenditures of Federal and State Awards:**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Yancey County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Yancey County, it is not intended to and does not present the financial position, changes in net position or cash flows of Yancey County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Yancey County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

- Subsidized Child Care
- Foster Care and Adoption

YANCEY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

The following were audited as major federal program for Yancey County for the fiscal year ended June 30, 2018:

<u>Program Name or Cluster</u>	<u>CFDA #</u>
Medical Assistance Program	93.778
Supplemental Nutrition Assistance Program	10.561

The threshold for determining Federal Type A programs for Yancey County is \$750,000.

Yancey County does not qualify as a low risk auditee.

**YANCEY COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

State Awards

Internal control over major state programs:

- Material weakness(es) identified?                    \_\_\_yes                      X  no
  
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses?                      X  yes                    \_\_\_none reported

Type of auditor's report issued on compliance for major state programs: Unmodified.

Any audit findings disclosed that are  
required to be reported in accordance with  
the State Single Audit Implementation Act                    \_\_\_yes                      X  no

Major State programs (over \$500,000) for Yancey County for the fiscal year ended June 30, 2018 are:

Program Name \_\_\_\_\_

Medical Assistance Program  
Public School Building Capital Fund

YANCEY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2018

**II. Financial Statement Findings**

None reported

**III. Federal Award Findings and Questioned Costs**

**US Department of Agriculture**

Passed through the NC Dept. of Health and Human Services

Program Name: Supplemental Nutrition Assistance Program (SNAP) Crosscutting requirements

CFDA # 10.561

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements

CFDA # 93.778

**Finding: 2018-001 Day Sheet Accountability**  
SIGNIFICANT DEFICIENCY  
NONMATERIAL NONCOMPLIANCE – REPORTING

Criteria: County departments of social services in North Carolina must comply with the NC Social Services Fiscal Control Manual Section III A, which requires County DSS employees who provide direct client services during the month to maintain day sheets in accordance with the Service Information System (SIS) Policy. According to the SIS User’s Manual, day sheet entries must be supported by documentation in case record files. For auditing and monitoring purposes, entries made by caseworkers providing direct client services must either include the client information on the time entry, or have another reliable method such as a log, journal, or calendar available so that time entries can be supported by evidence of the work that was performed. This requirement affects multiple programs. As such, we tested both SNAP and the Medicaid programs according to the crosscutting requirements.

Condition: The County did not have an effective system of internal control over day sheet reporting for the entire fiscal year under review. The County had a policy requiring either client identification on the time entry or an alternative record to support the direct client service time reported on the DSS 1571 for administration of the Medicaid and SNAP programs, which we observed during the prior year’s audit. However, the County’s management misunderstood the reporting requirement and during the current fiscal year under review, stopped tracking the caseworkers’ time spent to the specific casefiles. The vast majority of the time entries reviewed were not supported by detailed records of PDC case numbers associated with the time entries. However, payroll and benefits reported on the 1571 were authorized and reconciled to the County’s general ledger, and the finding pertains to an allocation of caseworker time as recorded and not the validity of the payroll costs.

Questioned Costs: None; noncompliance relates to reporting and recordkeeping requirements.

Context: For the vast majority of the time entries we reviewed we were unable to trace to evidence of time spent in the casefile to specific PDC case numbers. Overall, payroll and benefits reported on the DSS 1571 appears to be supported by payroll records which were authorized and reconciled to the County’s general ledger. However, caseworker time records should be detailed enough to allow audit procedures to be performed to verify evidence of time worked in individual case files. Out of the 40 times entries, we reviewed we were only able to trace two entries to evidence of time spent in the specific PDC casefile.

**YANCEY COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

Effect: The County is not in compliance with the day sheet reporting requirement; caseworker direct program service time cannot be supported. Without proper accountability and monitoring, caseworkers may not spend their time most efficiently for the benefit of the program. For caseworkers who direct charge multiple programs, the allocation of their time to those programs may not be accurate. A program may be overcharged for a caseworker's time.

Identification of a repeat finding: This is not a repeat finding.

Cause: The County was compliant with the requirements in the prior year's audit. However, management misunderstood the compliance requirements related to the day sheet reporting and discontinued the control procedures during the fiscal year under audit.

Recommendation: We have recommended to management that caseworkers return to tracking their time on either the day sheet reporting or in NC FAST. The client responded with implementing a system of time tracking that records time entries on paper. Time is then summarized and reported on the day sheets. We reviewed several of these entries noting that the County's controls for tracking time appear to be adequate after the new policy and procedures were implemented.

Views of responsible officials and planned corrective actions: The County agrees with the finding and is appears to have taken steps to revise their internal procedures for day sheets. Please refer to the County's corrective action plan on page 86.

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements

CFDA # 93.778

**Finding: 2018-002 Real Property  
SIGNIFICANT DEFICIENCY**

Criteria: The County should have an effective system of internal controls in order to ensure that case files contain documentation that Register of Deeds was checked to verify if the individual owns property.

Condition: Four of the 96 cases examined did not contain documentation that a real property check was performed by the responsible caseworker. However, when the real property checks were reperformed, the recipients were found to be eligible (reason for not being a compliance finding). It appears the four real property checks were performed since the person was eligible, but the documentation was not retained appropriately.

Effect: The State issues federal and state Medicaid funds for recipients whose eligibility is determined by the County's caseworkers. The recipient's eligibility is unable to be substantiated when the evidence used to determine eligibility is not retained in the casefile.

Identification of a repeat finding: This is not a repeat finding.

Cause: The County's ongoing challenges to provide timely education, training and feedback to new and seasoned workers regarding eligibility determination and documentation can lead to control issues with documentation since supervisors cannot review every eligibility determination.

**YANCEY COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

Recommendation: We have recommended that management continue their efforts to train caseworkers and to review their cases in order to provide timely feedback and corrective follow up action.

Views of responsible officials and planned corrective actions: The County agrees with the finding. Please refer to the County's corrective action plan on page 86.

**IV. State Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements  
CFDA # 93.778

**Finding: 2018-001 Day Sheet Accountability**  
SIGNIFICANT DEFICIENCY  
NONMATERIAL NONCOMPLIANCE – REPORTING

Please refer to finding 2018-001 in the Federal Award Findings and Questioned Costs above.

This finding also applies to State requirements and State awards.

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements  
CFDA # 93.778

**Finding: 2018-002 Real Property**  
SIGNIFICANT DEFICIENCY

Please refer to finding 2018-002 in the Federal Award Findings and Questioned Costs above.

This finding also applies to State requirements and State awards.

**CORRECTIVE ACTION PLAN**  
For the year ended June 30, 2018

**Federal and State Award Findings and Questioned Costs**

**Finding 2018-001** Day Sheet Accountability, Significant Deficiency

**Name of Contact Person:** Rick Tipton, Social Services Director

**Corrective Action Plan:** The County's agency has conducted, and will continue to conduct, day sheet training on accurately documenting identifying client information and activities to justify time coded for specific programs. This includes documenting application and/or case numbers in the day sheets, with a corresponding note in NC FAST, when applicable. Initial and refresher day sheet training is offered agency-wide. Compliance will be monitored through our quality control procedures and monthly review of the day sheets.

**Finding 2018-002** Real Property, Eligibility

**Name of Contact Person:** Rick Tipton, Social Services Director

**Corrective Action Plan:** The County's agency will train caseworkers and provide timely feedback on Medicaid eligibility requirements for recipients via employee meetings, NC FAST job aids, Learning Gateway, and review of Medicaid policies. Compliance will be monitored through our quality control procedures.

**YANCEY COUNTY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2018

**Finding 2017-001**

**Status:** This finding has been corrected.

**Finding 2017-002**

**Status:** This finding has been corrected.